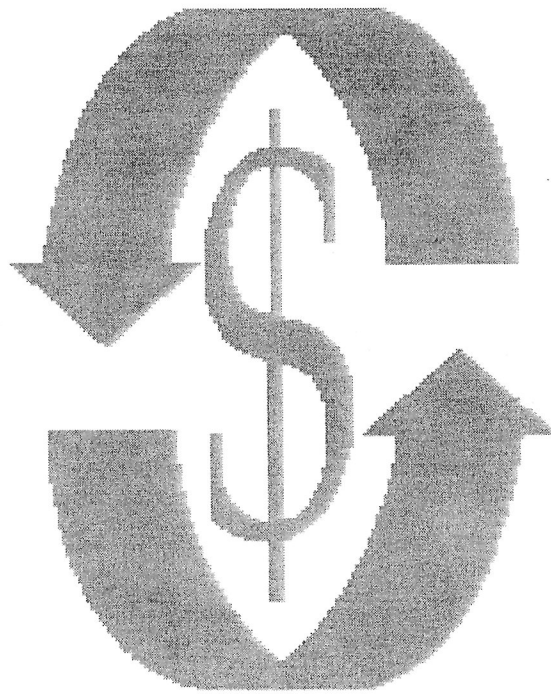


INTENDED USE PLAN
DRINKING WATER STATE REVOLVING FUND
(DWSRF Loan Program)
FY 2006 FEDERAL APPROPRIATION



Prepared by the
Tennessee Department of Environment and Conservation
State Revolving Fund Loan Program

DWSRF Loan Program Intended Use Plan for FY 2006

A. Introduction

The Safe Drinking Water Act (SDWA) Amendments of 1996 (Pub. L. 104-182) were enacted into law on August 6, 1996. Congress added Section 1452 to the Act authorizing the Administrator of the U. S. Environmental Protection Agency (EPA) to establish a Drinking Water State Revolving Fund (DWSRF Loan Program) Loan Program to further the health objectives of the SDWA.

Section 1452 (b) requires each state to annually prepare an Intended Use Plan (IUP) identifying the use of funds in the DWSRF Loan Program and describing how those uses support the goal of protecting public health. The following information must be included in the IUP to meet the requirements of the SDWA:

- Priority list of proposed loan projects including project description and size of community
- Description of criteria and method used for distribution of funds
- Description of the financial status of the DWSRF Loan Program
- Description of the short- and long-term goals of the DWSRF Loan Program
- Description of the set-aside activities, including the amount, that will be funded from the DWSRF Loan Program Capitalization Grant

The IUP serves as the planning document for explaining how the fiscal year (FY) 2006 appropriations for the DWSRF Loan Program will be used. The State of Tennessee's (State) allotment of the FY 2006 federal appropriation for the DWSRF Loan Program is \$8,540,700. This plan describes how the State will meet the required 20% State match of \$1,708,140 and the intended uses of both the project loan funds and the set-aside or non-project funds allowed under sections 1452 (g)(2) and 1452 (k) of the SDWA. The EPA Capitalization Grant minus set-aside funds plus the State match will provide \$8,626,107 in project loan funds. Of that amount, 15%, or \$1,293,916, is required by section 1452 (a)(2) to provide loan assistance to systems serving fewer than 10,000 persons to the extent that there are a sufficient number of eligible projects to fund. Tennessee's DWSRF Loan Program does not have a separate loan program for disadvantaged communities.

B. List of Projects

In accordance with Section 1452 (b), states must develop a list of projects that will receive funding in the first year after the grant award and a comprehensive priority list of eligible projects for funding in future years. Priority for the use of funds must be given to projects that:

- Address the most serious risk to human health
- Are necessary to ensure compliance with the requirements of SDWA
- Assist systems most in need, on a per household basis, according to State "affordability criteria"

DWSRF Loan Program Intended Use Plan for FY 2006

AFFORDABILITY CRITERIA

The methodology for assigning priority points based on health risk and compliance are explained in Part C of this IUP. The affordability criteria are used to prioritize projects that have the same number of points based on project need. Affordability criteria are based on the Ability-to-Pay Index (ATPI) established by the University of Tennessee Center for Business and Economic Research. Communities with greater economic need are given a higher ranking. The allocation formula uses a broad definition of fiscal capacity that includes per capita income, per capita property tax base, and per capita sales. The intent is to measure fiscal capacity in terms of the available resources for paying for services.

FINANCIAL, MANAGERIAL, AND TECHNICAL CAPACITY

The State is required under section 1452(a)(3) of the SDWA to develop a process to assess the technical, financial, and managerial capacity of water systems before a loan can be awarded. State law was amended March 10, 1998, to give authority to the Department of Environment and Conservation to require all new community water systems and new non-transient, non-community water systems commencing operation after October 1, 1999, demonstrate technical, managerial, and financial capacity to comply with the national primacy drinking water regulations and the provisions of the Tennessee Safe Drinking Water Act and the rules promulgated there under. The law was also amended to grant the Department authority to develop a strategy to assist public water systems in acquiring and maintaining technical, managerial, and financial capacity. Regulations governing the Capacity Development Program in the State for new systems effective date was August 29, 1999.

In addition to the strategy, the State has two boards, which evaluate the technical, financial, and managerial capacity of water systems eligible for DWSRF Loan Program loans. The Water and Wastewater Financing Board addresses cases of county and municipal government water systems. The Utility Management Review Board addresses cases of utility districts. Financial and managerial capacity will be assessed by staff to the boards that are located in TDEC's State Revolving Fund Loan Program (SRFLP). Technical capacity will be assessed through the duties and responsibilities currently assigned to the SRFLP. Loan applicants in significant noncompliance will be required to demonstrate to SRFLP that the DWSRF Loan Program assistance will ensure compliance. SRFLP will certify that the loan applicant has or will have technical capacity that will allow the department to recommend the loan for approval to the Tennessee Local Development Authority Board.

Information detailing the name of the projects to be funded and the related assigned points, description, expected terms of financial assistance and population of the system's service area is included in Attachment 1. This attachment includes a comprehensive priority list with the priority points assigned to each project and the expected funding schedule for each project.

C. Description of Criterion and Method used for Distribution of Funds

Section 1452 of the SDWA authorizes a drinking water revolving fund. This section of the federal law also authorizes the states to provide funding other than loans for certain activities related to drinking water called set-asides. States are required to describe in their Intended Use Plan the amount and intended use of these set-aside funds. The State may return all unused set-aside funds to the project loan fund. Set-asides may be used according to the SDWA for

DWSRF Loan Program Intended Use Plan for FY 2006

administering the loan fund, public water system supervision (PWSS), source water protection, capacity development strategy, and other activities. Funds can be set-aside from each year's Capitalization Grant for the activities listed in this section. Funds to delineate and assess source water protection areas were only available from the FY97 Capitalization Grant. The amounts set-aside for wellhead protection cannot be banked for use in future years.

The State will determine uses of the Capitalization Grant that provide for the long-term viability of the fund. The State proposes to use the FY 2006 DWSRF Loan Program for the following activities to accomplish the objective of directing funding toward the most pressing compliance and public health protection needs.

STATE SET-ASIDE ACTIVITIES

Department/ Division	Activity	Costs Related to:	Comments
4% Administration (FY 2006 \$341,628)			
TDEC/DWS/SRF	Loan program administration	Personnel, rent, travel, supplies, training	Funds remaining will be banked for use in future years
10 % State Program PWSS (FY 2006 \$854,070)			
TDEC/DWS/SRF	Sanitary Surveys, investigation, publications, laboratory support	Personnel, rent, travel, supplies, training	Funds remaining will be banked for use in future years.
2% Small System Technical Assistance (FY 2006 \$170,814)			
TDEC/DWS/SRF	Regulatory compliance assistance to water systems serving less than 10,000 persons	Contracts or interns	Funds remaining will be banked for use in future years.
TDEC/OEA/FTC	Technical training to water systems serving less than 10,000 persons	Equipment and supplies	Supplemental funding to existing training program

DWSRF Loan Program Intended Use Plan for FY 2006

States are eligible to set-aside 15% of the FY 2006 Capitalization Grant for local assistance and other state program activities. No more than 10% of the grant may be used for any one activity. The allowed activities are described in Section 1452(k)(1)(C) of the SDWA. The State has chosen to set-aside 3% of the FY 2006 Capitalization Grant for the wellhead protection activity.

STATE SET-ASIDE ACTIVITIES

LOCAL ASSISTANCE AND OTHER STATE PROGRAMS

Department/ Division	Activity	Costs Related to:	Comments
3% Wellhead Protection (FY 2006 \$256,221)			
TDEC/DWS-GWMS	Accelerate the Wellhead Protection Program	Personnel, rent, travel, supplies, training	Funds for these activities must be obligated within one year of the award date of the grant.

DIRECT LOANS TO ELIGIBLE COMMUNITIES

A total of 81% or \$6,917,967 of the \$8,540,700 FY 2006 Capitalization Grant plus the required 20% or \$1,708,140 State match will be reserved for direct loans to eligible communities. Of the total \$8,626,107 in loan funds, 15% or a minimum of \$1,293,913 will be used to provide assistance to small systems that serve fewer than 10,000 persons. The interest rate will be based on the community's ATPI as discussed in Section B. The rate will be zero to 100% of the interest rate reported on 20-year general obligation bonds published every Thursday in the Bond Buyers Index. Those communities that fall within the lower economic scale of the index will be eligible for a lower interest rate. The interest rate for utility districts whose service area lies in more than one county will be determined by utilizing the lowest ATPI of the counties involved with the project. The term of the loan will be a maximum of 20 years or the useful life of the project whichever is shorter.

Applicants for DWSRF Loan Program loan funding must submit a request for funding along with a project description, cost estimate and project justification. As required by SDWA, projects are prioritized by risk to human health and compliance with SDWA. Upon a request for funding, projects are evaluated and assigned from 20 to 100 points depending on the health and compliance problems addressed by the project (Attachment 2). Seven categories of projects have been established which should cover all types of drinking water projects.

These categories will include:

- Water quality problems
- Source or capacity
- Water storage
- Leakage problems

DWSRF Loan Program Intended Use Plan for FY 2006

- Pressure problems
- Replacement or rehabilitation projects
- Water line extensions

Projects demonstrating the greatest risk to human health will receive the highest priority followed by projects addressing compliance problems and then projects addressing other needs.

The DWSRF Loan Program may not provide assistance to any system that is in significant noncompliance with any national drinking water regulation or variance unless the State conducts a review and determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance.

Projects not eligible for funding are those primarily intended for:

- Future growth
- Economic development
- Fire protection

The following projects and activities are not eligible for funding:

- Dams
- Reservoirs
- Water rights
- Laboratory fees for monitoring
- Operation and maintenance expenses

DESCRIPTION OF PROJECTS IN THE FY 2006 FUNDING ZONE

DWSRF Loan Program projects will be funded in order based on the highest number of priority points as listed on the FY 2006 project Priority Ranking List (PRL). Using the project cost estimates on the FY 2006 DWSRF Loan Program PRL, 15% of the available loan funds will be set-aside for communities with a population of 10,000 or less. DWSRF Loan Program funding is limited to the project costs set forth on the FY 2006 PRL. Funding may be limited to 2.5 million dollars per loan from the FY2006 Capitalization Grant. The FY 2006 PRL is Attachment 1 to this document. Upon receipt of the FY 2006 Capitalization Grant, TDEC will contact the communities with the highest scoring projects on the FY 2006 PRL.

Communities that do not respond with a completed application within 120 days may be bypassed in order to fund the next highest-ranking projects that are ready to proceed. The Department will work with bypassed projects to ensure that the projects will be eligible for funding in the following fiscal year to the maximum extent possible. The State may substitute projects on an emergency basis. Such projects would include those where some type of failure was unanticipated and requires immediate attention to protect public health.

DWSRF Loan Program Intended Use Plan for FY 2006

D. Description of the Financial Status of the DWSRF Loan Program

The table below details the total dollar amount in the DWSRF Loan Program project fund and the total dollar amount used as set-asides:

Summary of Funds Available as a Result of the Federal Capitalization Grants

1. Prior Year Carry-Over Funds		\$	7,871,913
2. Principle & Interest Receivable in FY 2007	+	\$	3,617,174
3. Interest on DWSRF Loan Program Cash Projected During FY 2007	+	\$	300,000
4. FY2006 Capitalization Grant	+	\$	8,540,700
5. Less Set-asides:			
04% Administration	-	\$	341,628
10% PWSS (See Below)	-	\$	854,070
02% Small System Technical Assistance	-	\$	170,814
03% Wellhead Protection	-	\$	256,221
6. 81% Balance to Project Fund	=	\$	6,917,967
7. 20% of FY2006 Capitalization Grant matched by State	+	\$	1,708,140
8. DWSRF Loan Program Project Fund	=	\$	20,415,194

The PWSS set-aside requires a dollar for dollar state match in addition to the 20% state match of the Capitalization Grant. At least one-half of the state match funds provided by the State must be in addition to the amount the State expended for the PWSS program in FY93. Required State match dollars have been appropriated in the State budget for FY 2006. The 20% match of \$1,708,140 will be deposited into the DWSRF Loan Program project fund during FY 2006 and any interest earned on the match dollars will be credited to the DWSRF Loan Program project fund.

Attachment 3 provides a schedule for proposed binding commitments based on the project dollars available and is a basis for the disbursements schedule. Attachment 4 identifies a disbursement schedule over eight quarters for the FY 2006 Capitalization Grant. The schedule applies to all funds in the Capitalization Grant, including those funds that are used for set-aside activities.

E. Short- and Long-Term Goals/Objectives

As required by the SDWA, the State is to identify the goals and objectives of its DWSRF Loan Program. The goals as described below are not presented in any priority order.

The State has the following long-term goals and objectives for the DWSRF Loan Program:

Goal #1: Maintain a self-sustaining revolving loan program through the DWSRF Loan Program to provide local governments in Tennessee low-cost financial assistance for projects to assure affordable drinking water, which complies with the SDWA.

DWSRF Loan Program Intended Use Plan for FY 2006

Objective 1.A: To ensure financial stability of loan recipients by reviewing the financial history, loan security, and proposed user rates of loan applicants.

Objective 1.B: To ensure the use of accounting, audit, and fiscal procedures that conform with generally accepted government accounting standards.

Objective 1.C: To obligate funds in a timely manner and provide technical and administrative assistance for efficient project management.

Goal #2: Protect and enhance the water quality in Tennessee by ensuring the technical integrity of funded projects.

Objective 2.A: To ensure adequate and effective project planning, design, and construction management.

Objective 2.B: To maintain a priority ranking system and offer available funds to projects with the highest priority points that are ready to proceed.

In addition to these long-term goals, the State has the following short-term goals for the DWSRF Loan Program.

Goal #3: Maximize funds available in the DWSRF Loan Program through cooperation with the Environmental Protection Agency (EPA).

Objective 3.A: To prepare and submit an annual Intended Use Plan (IUP) and prepare and submit, along with the IUP, an application for the Capitalization Grant.

Objective 3.B: To actively promote and pursue all potential borrowers, which have needed eligible projects.

Objective 3.C: To submit an annual report to EPA covering the accomplishments of the IUP.

Goal #4: Manage an effective and efficient DWSRF Loan Program.

Objective 4.A: To prepare and update administrative policies and guidance and standard operation procedures for the DWSRF Loan Program.

Objective 4.B: To coordinate and work with the Comptroller of the Treasury to ensure the best financing alternative to local governments.

Goal #5: Direct the necessary resources for Section 1452 (g)(2) and 1452 (k) toward the State's most pressing compliance and public health protection needs.

Objective 5.A: To provide supervision and technical assistance to public water systems.

Objective 5.B: To assist development and implementation of local drinking water protection initiatives.

DWSRF Loan Program Intended Use Plan for FY 2006

F. Description of Set-Aside Activities

The provisions of 1452(g)(2) provide for states to use up to ten percent of the revolving loan fund Capitalization Grant for the following purposes:

- For public water system supervision programs under section 1443(a);
- To administer or provide technical assistance through source water protection programs;
- To develop and implement a capacity development strategy under section 1420; and
- For an operator certification program for purposes of meeting the requirements of Section 1419, if the state matches the expenditures with at least an equal amount of state funds. At least half of the match must be additional to the amount expended by the state for public water system supervision in fiscal year 1993.

An additional two percent of the funds annually allotted to each state under this section may be used by the state to provide technical assistance to public water systems serving 10,000 or fewer persons in the state. Funds utilized under paragraph (b) shall not be used for enforcement actions. The State's portion of the total state revolving loan fund federal appropriation for FY 2006 is \$8,540,700. The State plans to set-aside ten percent of this money for the uses described above. The Division of Water Supply intends to use the set-aside money to conduct the following activities and purchase equipment and supplies:

- Review engineering plans
- Technical assistance visits
- Complaint investigations
- Construction inspections
- Community sanitary surveys
- Non-transient non-community surveys
- Transient non-community surveys
- Public hearings
- Public presentations
- Technical seminars

These activities will be accomplished by the equivalent of 16 full-time employees. The Tennessee Division of Water Supply would use the majority of the set-aside money to continue the existing level of activity rather than expand the public water system supervision level. Every effort would be made to incorporate the source water protection and capacity activities into the technical assistance provided to public water systems. In addition to continuing existing activities DWS would propose to use set-aside money to continue addressing issues raised by the 1996 amendments to SDWA.

The PWSS program includes such activities as sanitary surveys, construction inspections, complaint investigations, record keeping and evaluation of water quality data, and monitoring requirements for public water systems. The set-aside would also be used to pay for travel, rent, supplies, communications, printing, and laboratory support. Other services include dealing with

DWSRF Loan Program Intended Use Plan for FY 2006

problems associated with the managerial, technical, and financial capacity of public water systems.

The State already overmatches sufficient federal money to qualify as meeting the matching requirements needed to be eligible for these set-aside funds. Funds not expended during FY 2005 are carried over into FY 2006. Any excess funds not expended can also be returned to the DWSRF Loan Program project fund if not needed for the PWSS program.

The State plans to use a portion of the set-aside money from the DWSRF Loan Program to conduct public water system operator training activities. Training primarily is conducted at the Department's Fleming Operator Training Center. This money will be used to supplement the existing training program already in place. It utilizes the current staff of ten persons.

G. Assurances and Specific Proposals

The State shall provide the necessary assurances and certifications described in the Operating Agreement submitted as part of the Capitalization Grant Application. This Operating Agreement is the official agreement between the State and EPA.

Pursuant to Section 1452 of the SDWA, the State certifies that:

- The State has the authority to establish a DWSRF Loan Program project loan fund and to operate the DWSRF Loan Program in accordance with the SDWA.
- The State will comply with its statutes and regulations.
- The State has the technical capability to operate the program.
- The State will accept Capitalization Grant funds in accordance with a payment schedule.
- The State will deposit all Capitalization Grant funds in the DWSRF Loan Program project fund or set-aside account.
- The State will provide an amount at least equal to 20 percent of the Capitalization Grant (State match) in the DWSRF Loan Program project fund.
- The State will deposit interest earnings and repayments into the DWSRF Loan Program project fund.
- The State will match Capitalization Grant funds the State uses for 1452 (g)(2) set-asides.
- The State will use Generally Accepted Accounting Principles.
- The State will have the DWSRF Loan Program project fund and set-aside account audited annually in accordance with General Accepted Government Auditing Standards.
- The State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments.
- The State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner.
- The funds will be used in accordance with the IUP.
- The State will provide EPA with a Biennial Report.
- The State will comply with all federal cross-cutting authorities.

DWSRF Loan Program Intended Use Plan for FY 2006

In addition, the State certifies that it will conduct environmental reviews on water system projects in satisfying the NEPA-like requirements. The State's NEPA-like procedures are contained in the approved Operating Agreement.

Section 1452 of the SDWA requires the State to complete and submit a Biennial Report on the uses of the DWSRF Loan Program. The State intends to submit an annual report to EPA on the DWSRF Loan Program. This report will contain detailed information on how the State has met the goals and objectives of the previous year as stated in the IUP and Capitalization Grant agreement.

H. MBE/WBE Goals

In accordance with federal Executive Order 11625 dated October 13, 1971, and Executive Order 12138 dated May 18, 1979, the local government must make a good faith effort to include participation from minority and women's businesses in sub-agreement awards. The MBE fair share goal is 2.6% for construction and 6.6% for supplies, services, and equipment. The WBE fair share goal is 2.6% for construction and 3.9% for supplies, services, and equipment.

I. Environmental Benefits

To meet the EPA Order 5700.7, the State agrees to complete a one-page worksheet for all binding commitments (loan agreements). Copies of the one-page worksheets will be placed in the Annual Report.

J. Public Review and Comment

A public meeting was held on May 12, 2006, in Nashville to review the IUP for FY 2006 and to receive comments on the IUP. The State formally issued a public notice on April 11, 2006 to solicit participation in the public meeting. Over eight hundred notices were sent to local governments including municipalities, counties, and utility districts, consulting engineers, and other interested parties that are included on the mailing list. A copy of the IUP is posted on the Department's website located at <http://www.state.tn.us/environment/srf>. A summary of the public meeting is on file in TDEC's State Revolving Fund Loan Program.

DWSRF Loan Program Intended Use Plan for FY 2006

ATTACHMENTS

- Attachment 1: Drinking Water SRF FY 2006 Priority Ranking List
- Attachment 2: Priority Point Criteria for DWSRF Loan Program Projects
- Attachment 3: DWSRF Loan Program Capitalization Grant Binding Commitment Schedule
- Attachment 4: DWSRF Loan Program Capitalization Quarterly Disbursements Schedule
- Attachment 5: DWSRF Loan Program Sources and Uses of Funds
- Attachment 6: Public Notice, April 11, 2006

DRINKING WATER STATE REVOLVING FUND

Priority Ranking List FY 2006

Attachment 1

Rank	Points	Local Government	Project Description	PL \$ Amount
*	40	First Utility District of Hawkins County	Water Treatment Plant--New, Raw Water Intake--New, Transmission Line--New, Water Treatment Plant--Improvements (New pre-sedimentation basin)	\$ 9,750,000
*	40	Maynardville	Distribution System--Extension (6-inch line to loop Fall Creek Road to Hickory Valley Rd to SR 33 to McLemore Rd)	\$ 605,000
*	40	Maynardville	Distribution System--Extension (6-inch line from Hickory Star Road to Big Ridge)	\$ 235,000
*	40	Maury County	Pump Station--New (Gravel Hill Rd)	\$ 2,600,000
*	40	Maury County	Distribution System--Extension, Pump Station--Improvements (Hwy 166 pump station)	\$ 1,100,000
*	20	Maynardville	Pump Station--New (Booster station)	\$ 175,000
*	20	West Cumberland UD	Water Treatment Plant--New, Raw Water Intake--New	\$ 2,300,000
*	20	Maury County	Pump Station--New (Rock Springs)	\$ 1,650,000
*	60	Watauga River Regional Water Authority	Water Treatment Plant--New (Planning & Design Loan Only)	\$ 21,000,000
*	60	Watauga River Regional Water Authority	Planning for a comprehensive water system improvements for the WRRWA facilities (Planning & Design Loan Only)	\$ 400,000
1	80	Cocke County	Water Line Extension from Denton to Hartford	\$ 676,489
2	60	Bon Aqua UD	Water Treatment Plant Upgrade & Water Line Extensions	\$ 2,500,000
3	60	Anderson County Utility Board	Water Treatment Plant--Improvements, Distribution System--Expansion (Along Walden Ridge Road and Dutch Valley Road)	\$ 250,000
4	60	Sewanee Utility District	Water Treatment Plant--New	\$ 1,750,000
5	60	Bristol-Bluff City Utility District	Water Treatment Plant--Expansion, Distribution System--Improvements	\$ 4,000,000
6	40	Hallsdale Powell Utility District	Transmission Line--New (Hickory Valley)	\$ 5,000,000
7	40	Tellico Area Services System	Transmission Line--New (Highway 321 area to Hackney Hill Water Tank--67,000 LF of 16- and 12-inch line)	\$ 4,320,000
8	40	Loudon (24" River Crossing Pipe)	Transmission Line--Replacement (Install 24" line from WTP via Grove Street and Main Street under Tennessee River to replace line demolished when the old bridge over the Tennessee River was replaced.)	\$ 1,800,000
9	40	Loudon (Extend Intake Pipe)	Raw Water Intake--line extension (Into the middle of Tennessee River)	\$ 975,000
10	40	Loudon (Hotchkiss Valley Area)	Distribution System--Extension (Hotchkiss Valley Area)	\$ 1,800,000

DRINKING WATER STATE REVOLVING FUND

Priority Ranking List FY 2006

Attachment 1

Rank	Points	Local Government	Project Description	PL \$ Amount
11	40	Loudon (New Chemical Building)	Water Treatment Plant--Improvements (New Chemical Feed Building)	\$ 750,000
12	40	Loudon (New Finished Water Station)	Water Treatment Plant--Improvements (New Finished Water Station)	\$ 1,750,000
13	40	Loudon (New Intake Structure)	Raw Water Intake--New Structure	\$ 1,000,000
14	40	Loudon (Poplar Springs Road)	Distribution Line--Extension (Along Notchin Hill Road to Poplar Springs Road and along Old Vonore Road to Poplar Springs Blair Bend Road)	\$ 350,000
15	40	Marshall County Board PU	Distribution System--Extension (30 miles of line in rural Marshall County)	\$ 4,695,000
16	40	Minor Hill Utility District	Distribution Line--Replacement (Minor Hill and along State Route 166)	\$ 500,000
17	40	Lebanon	Transmission Line--New (Franklin Road/Holloway Drive Connector)	\$ 600,000
18	20	Trenton	Water Treatment Plant--Improvements (New standby generator and electrical modifications)	\$ 100,000
19	20	Loudon (12" Line on SR 72)	Transmission Line--Extension (12-inch line from State Route 72 north to Marble Bluff)	\$ 1,200,000
20	20	Loudon (Generator)	Water Treatment Plant--Improvements (New generator)	\$ 1,500,000
21	20	Roane Central Utility District	New 2MGD WTP	\$ 2,189,200
22	20	Lebanon (Generator)	Water Treatment Plant--Improvements (New standby generator and electrical modifications)	\$ 250,000
23	20	Lebanon (South Hartman Drive)	Transmission Line--New (South Hartman Drive), Pump Station--New (South Harman Drive booster Station)	\$ 765,000
24	20	Northeast Knox County Utility District	Water Storage Tank--New (1.0 MG and booster station and pipe network improvements)	\$ 2,250,000
25	20	Northeast Knox County Utility District	Water Treatment Plant--Improvements (New clearwell and new transmission line main)	\$ 2,500,000
26	20	Metro Nashville	Pump Station--Improvements (Powell Ave pump station)	\$ 12,000,000

* - SRF Staff is currently working with from 2004 Priority List

\$ 95,285,689

DWSRF Loan Program Intended Use Plan for FY 2006

Attachment 2

STATE OF TENNESSEE

PRIORITY POINTS FOR DRINKING WATER SRF PROJECTS

1. Water Quality Problems
 - 100 Points - Disease outbreak or acute health risk
 - 80 Points - Chronic water quality problems
 - 60 Points - Potential water quality problems
 - 40 Points - Operational problems
 - 20 Points - Other
2. Source or Plant Capacity
 - 80 Points - Water shortage or rationing
 - 60 Points - 80% capacity rule
 - 40 Points - Exceeding capacity on peak days
 - 20 Points - Projected need within 10 years
3. Water Storage
 - 80 Points - Less than 50% daily demand
 - 60 Points - 50 to 75% daily demand
 - 40 Points - 75 to 100% daily demand
 - 20 Points - 100 to 125% daily demand
4. Leakage Problems
 - 80 Points - 50% or greater water loss
 - 60 Points - 40 to 49% water loss
 - 40 Points - 30 to 39% water loss
 - 20 Points - 20 to 29% water loss
5. Pressure Problems
 - 80 Points - pressure consistently less than 20 psi
 - 60 Points - pressure periodically less than 20 psi
 - 40 Points - pressure occasionally less than 20 psi
 - 20 Points - pressure marginal (20 to 30 psi)
6. Replacement or Rehabilitation Projects
 - 80 Points - essential equipment failure
 - 60 Points - essential equipment deteriorated & near failure
 - 40 Points - non-essential equipment failure
 - 20 Points - non-essential equipment deteriorated
7. Water Line Extensions
 - 100 Points - special acute health problems
 - 80 Points - exceeding drinking water limits or without water
 - 60 Points - nuisance or quantity problems
 - 40 Points - extend public water to private well supplies
 - 40 Points - water line relocations and upgrades

DWSRF Loan Program Intended Use Plan for FY 2006

Attachment 2

DRINKING WATER SRF – PRIORITY POINTS NARRATIVE

Water systems requesting loans for water projects through the DWSRF Loan Program will be assigned priority points based on instructions given in The Safe Drinking Water Act (SDWA). The SDWA instructs states to utilize DWSRF Loan Program funds to address risks to human health, compliance with the Act, and to assist systems most in need on a per household basis. Tennessee has established a priority ranking system, which will comply with the instructions in the SDWA. Priority points will be assigned on a 100-point scale based on the severity of the problem.

The only projects eligible for the maximum of 100 points will be those that address serious, acute risks to human health. Other projects will be assigned 20, 40, 60, or 80 points depending on the severity of the problem and whether a compliance problem exists. Projects requesting funds for ineligible activities such as fire protection, dam construction or future growth will not be assigned priority points. Projects that receive the same priority points will be ranked according to the ability to pay index for each community. This will satisfy the SDWA requirement to assist systems most in need on a per household basis. Seven categories of projects have been established which encompass all types of water system projects.

DWSRF Loan Program Intended Use Plan for FY 2006

Attachment 3

DWSRF LOAN PROGRAM BINDING COMMITMENT SCHEDULE

<u>QUARTER</u>			<u>AMOUNT</u>
October 1, 2006	-	December 31, 2006	\$ 500,000
January 1, 2007	-	March 31, 2007	\$ 1,500,000
April 1, 2007	-	June 30, 2007	\$ 2,000,000
July 1, 2007	-	September 30, 2007	\$ 1,500,000
October 1, 2007	-	December 31, 2007	\$ 1,500,000
January 1, 2008	-	March 31, 2008	\$ 1,540,700
TOTAL			<hr/> \$ 8,540,700

DWSRF LOAN PROGRAM QUARTERLY DISBURSEMENTS SCHEDULE
AUTOMATED CLEARING HOUSE DRAWS

(Quarters are based on Federal fiscal year)

<u>FY 2007</u>		<u>Amount</u>
Qt 1	\$	625,000
Qt 2	\$	625,000
Qt 3	\$	625,000
Qt 4	\$	625,000
 <u>FY 2008</u>		 <u>Amount</u>
Qt 1	\$	1,500,000
Qt 2	\$	1,500,000
Qt 3	\$	1,500,000
Qt 4	\$	1,540,700
 TOTAL	\$	 8,540,700

PROJECTED FUNDS AVAILABLE TO LOAN DURING 2007 - WITH FEDERAL GRANT

	Through FY2006	For FY 2007	Total
Sources of Funds:			
Capitalization Grants	\$ 86,235,200	\$ 8,540,700	\$ 94,775,900
State Match	\$ 17,247,040	\$ 1,708,140	\$ 18,955,180
Investment Earnings (estimated)	\$ 1,822,272	\$ 300,000	\$ 2,122,272
Loan Repayments - Principle and Interest	\$ 9,319,326	\$ 3,617,174	\$ 12,936,500
Total Sources of Cash	<u>\$ 114,623,838</u>	<u>\$ 14,166,014</u>	<u>\$ 128,789,852</u>
 Uses of Funds:			
Loans and Amendments	\$ 89,110,798		\$ 89,110,798
Administration Expense Allocations	\$ 3,449,408	\$ 341,628	\$ 3,791,036
PWSS Expense Allocations	\$ 8,623,520	\$ 854,070	\$ 9,477,590
Small Technical Assistance Expense Allocations	\$ 1,724,704	\$ 170,814	\$ 1,895,518
Wellhead Protection Expense Allocations	\$ 2,310,351	\$ 256,221	\$ 2,566,572
Source Water Assessment Expense Allocations	\$ 1,277,620	\$ -	\$ 1,277,620
Capacity Development Expense Allocations	\$ 255,524	\$ -	\$ 255,524
Total Uses of Cash	<u>\$ 106,751,925</u>	<u>\$ 1,622,733</u>	<u>\$ 108,374,658</u>
 Sources of Cash less Uses of Cash	<u>\$ 7,871,913</u>	<u>\$ 12,543,281</u>	
Net Available to Loan during FY 2007		<u>\$ 20,415,194</u>	<u>\$ 20,415,194</u>



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
State Revolving Fund Loan Program
8th Floor, L & C Tower
401 Church Street
Nashville, TN 37243

April 11, 2006

PUBLIC NOTICE

TO ALL POTENTIAL **STATE REVOLVING FUND (SRF)** LOAN APPLICANTS AND INTERESTED PARTIES:

CLEAN WATER SRF (CWSRF) LOAN PROGRAM:

The Tennessee Department of Environment and Conservation (TDEC), is in the process of applying for fiscal year (FY) 2006 EPA Capitalization Grant for the CWSRF loan program. The FY 2006 EPA CWSRF grant allotment to Tennessee is \$12,721,005 and requires a twenty percent (20%) state match of \$2,544,201.

DRINKING WATER SRF (DWSRF) LOAN PROGRAM:

The Tennessee Department of Environment and Conservation (TDEC), is in the process of applying for fiscal year (FY) 2006 EPA Capitalization Grant for the DWSRF loan program. The FY 2006 EPA DWSRF grant allotment to Tennessee is \$8,540,700 and requires a twenty percent (20%) state match of \$1,708,140.

TDEC will conduct public meetings on **Friday, May 12, 2006, at 1:00p.m. CDT for CWSRF and 2:00p.m. CDT for the DWSRF in the 17th Floor "Conference Room A" of the L & C Tower, 401 Church Street, Nashville, Tennessee**, to present and receive comments on the FY 2006 Intended Use Plan for the CWSRF capitalization grant application and the FY 2006 Intended Use Plan for the DWSRF capitalization grant application.

The Intended Use Plan includes the priority list of potential loan recipients, the intended uses of the set-asides for non-project activities, program goals, and explanation of the priority system and affordability criteria. The Draft IUP's will become final following a ten (10) day comment period after the public meeting.

If you are unable to attend the meeting, but would like to review the CWSRF FY 2006 Intended Use Plan, or the DWSRF FY 2006 Intended Use Plan or both, please contact James Goodman, at (615) 532-0472. All comments must be received in our office no later than May 23, 2006. Comments may be mailed to the letterhead address above, or submitted on the Internet via e-mail to James.O.Goodman@state.tn.us, or sent to facsimile number (615) 532-0199.

Individuals with disabilities who wish to participate in these proceedings (or to review these filings) should contact the Tennessee Department of Environment and Conservation to discuss any auxiliary aids or services needed to facilitate such participation. Such contact may be in person, by writing, telephone, or other means and should be made no less than ten days prior to the scheduled meeting date (date such party intends to review such filings), to allow time to provide such aid or services. Contact the Tennessee Department of Environment and Conservation ADA Coordinator, John White, 12th Floor L&C Tower, 401 Church Street, Nashville, Tennessee 37243, (615) 532-0207. Hearing impaired callers may use the Tennessee Relay Service (1-800-848-0298).